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made but they will not affect to any extent the main doctrine which Dr. Henke wishes to present.

The volume contains the Biography, the Instructions for Practical Life, Records of Discourses, and the Letters of Wang Yang-Ming. The main teachings can be found in Book I, pp. 47-140. The rest consists of the repetition and elaboration of these teachings.

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SECOND THOUGHT OF AN ECONOMIST. By William Smart, Professor of Political Economy in the University of Glasgow. With a biographical sketch by Thomas Jones, M.A. London: Macmillan and Company, Ltd., 1916. Pp. lxxix, 190. Price, 5s. net.

The relation of ethics to economics is often supposed to present a difficult problem, though as it stands it is no more than an elementary matter of analysis. The two sciences discuss different questions, and there is no subordination of one to the other. But an intelligent grasp of the nature of social life demands the presence of both, together with the definite allocation of each to its own province. This is unhappily somewhat rare. The moralist is seldom able to resist the temptation of dictating to the economist: since, being a philosopher, he is accustomed to meddle with just those parts of other people's business that he does not understand.

It seems to me a peculiar tribute to the strength of Smart's mind that he should for so long have kept strictly to his business as an economist, and that when he did at length permit himself to exceed it, he should have done so with so marked an absence of confusion. The influences which had helped to form his mind in its youth—Ruskin and Idealism—had this at least in common that they were on the whole hostile to exact analysis and the discriminating separation of problems. Yet he does recognise that even in asking where the economic life is leading us, we come close to raising a question which is not one of economics, but of something else.

Smart's point of view had some characteristics rather unusual in an economist. For one thing, he thought it more remarkable that there should be wealth to distribute than that the distribution should be extremely unequal. We must first of all remember

that there is no natural right to anything, and no guarantee that the necessities of life should be on the earth at all, let alone the luxuries. Then we may consider gravely how great the inequality really is, and whether any means appears whereby it may be remedied. The answer consists in a restatement of the theory of distribution, according to which each factor is paid according to its economic worth: and the conclusion as to progress which follows is that it is best sought by developing the existing organisation. Men earn little because they are worth little: make them economically worth more. That is, they must devote themselves to work in which they have a natural monopoly—that part of manual work which machines can not do, or else professional work. The product will increase and it will be divided amongst them. It will be a maximum product, because substitution will by hypothesis have been carried as far as possible.

The real objection which thinking men have to the present economic system concerns not so much the distribution of wealth as the distribution of work. Even if wages were high, modern industrialism seems to involve for many men a kind of life hardly fit for human beings. And if economic development is to continue on the same lines as in the past, there seems to be no escape from this conclusion. Smart's constructive policy is simple enough in principle. It is to retain the existing system (which does so much for us) and by conscious direction so to alter it that certain objectionable moral effects disappear. The "economic" life must be made worth living for the mass of men; and this can be done by means which also bring about an improvement in distribution. The consumer must realize his responsibility: so also must the employer. The arguments under the first head are by now very familiar; those under the second form the most marked features of Smart's view, just as they did in his earlier books. The position of the employer in modern industry is one of great honour and extreme responsibility. He has to anticipate demand, bringing the factors of production together in the most efficient of possible combinations, taking the risks, and out of the price of the anticipated product paying wages and interest in advance. Such a function is at least as honourable as that of a professional man, and Smart appeals to the employer to regard it as such and to found and observe a professional tradition, caring for the interests of his workpeople, putting them where their labour *tells* most, and so on.

There is no doubt that this position is worked out with much skill and care and that it represents the final result of the reflections of a mind peculiarly open to all kinds of influences, though curiously cautious in committing itself to change. There is little in the book which was not pretty definitely present in his previous volumes. Its special interest consists in that it enables one to appreciate the influence of certain assumptions which controlled his thinking. They were probably not completely explicit, and they were certainly never carefully examined. They seem to me to be present to a greater or less degree in almost all writers who greatly emphasise the marginal utility theory of distribution.

The first is that when considering the distribution of income, Smart expressly rules out of account as irrelevant the distribution of the means of production (*i.e.*, the question of "property" in the technical sense adopted by most American economists). The only reason alleged is that the distribution of income is the real question; if that is not seriously at fault, the other cannot matter. Hence Smart simply assumes in a sentence property and inheritance and bequest. Two remarks should be made on this. The first is that Smart himself admits that the real problem is the distribution of *work*. That is, even if a man's wages are extremely high, he may yet lack the essentials of a decent life. Secondly, the critics of the present industrial system have always held that the grave inequalities in the distribution of income were primarily a consequence of the distribution of property of a certain sort. When the hand-loom weavers rioted against the introduction of power-looms, they were objecting not to the mere presence of machinery, but to its exclusive possession by certain classes of people. They did not deny that the national dividend would increase: but they knew that no share of it would fall to them. This constant paradox is a direct consequence of our usages in regard to property. We may think that these usages are necessary conditions of there being any wealth to distribute, but this should not blind us to the fact.

Again, though the theory according to which distribution is of the product according to the marginal utility of the factors which brought it into being is in itself merely a descriptive account of what actually takes place, Smart quite consciously uses it as something more, and to do this he makes certain further assumptions. One of them is of an economic sort, and not easy to detect. He never seriously contemplates the possibility of

anything except falling prices. His business experience had been all in the other direction; he regards it as an endeavour to lower costs and *therefore* to bring down prices in order to undersell. We may admit as permanent the struggle to bring down costs. But the assumption that the greater part, much less the whole, of the reduction must go to the consumer in lower prices is altogether gratuitous. It might possibly hold in a purely economic state where no differences in property existed and there never was, even over a short period, any scarcity of the means of production. But in a state like ours with an increasing tendency to industrial combination, "economic worth" becomes little more than a phrase to designate a struggle as to who shall get hold of the largest slice of pie.

The primary defect of Smart's constructive policy of making "employing" into a profession is the difficulty of discovering what it means. The term "employer" is extremely ambiguous, and its ambiguity affected all Smart's thinking. On the whole he seems to have meant the kind of position he himself occupied in his own business life. In this sense the employer performs functions that are extraordinarily complex, and recent economic development has seen a decided division of them. There is the mere provision of capital; there is the actual management and detailed organization of the business; and there is the general control and direction of policy. Each of these functions is separately paid for. And—interest being admittedly impersonal—the "professional function" will be shared between the manager and the Board of Directors. Ultimately we may suppose it to go to the latter, the manager being no more than a salaried servant. For social betterment, then, we must look to an increase in the morality of railway directors and shipping magnates. This is extraordinarily hopeful.

The same ambiguity infects his discussion of the reward of the employer. Several distinct elements enter into this, in Smart's original sense. We may set aside the wages of management. There are also (a) interest, (b) rent, (c) net profit. What most influenced Smart's treatment of these was that when he learned from the Austrians that interest is a time-payment he at once assumed that no ethical problems were involved. (Previously under the influence of Ruskin he had thought there were.) Given an explanation of the necessity of paying interest, no more needed to be said. But such an explanation is a mere description; and

the real influence of capital on distribution is missed unless we go a step further back. It is the peculiar distribution of property—a fact simply assumed by Smart without discussion, even for the apologetic part of his argument—which enables a certain class of people to exact a time-payment. No one pretends that the lending of capital is not a public service; the point is that it is a particularly advantageous one to perform. Labour, on the other hand, though no doubt necessary, gets more kicks than halfpence. Having no staying power and nothing to sell but its labour, a commodity quite useless apart from capital, it must put up with what it can get. Labour may be indispensable to capital but Thomas Hodge is not. And the net result is that the effect of driving men into the professions under existing conditions would be that salaries would fall. This Smart admits: he thinks it would be accompanied by a rise in wages, which is just possible. He does not mention that he has adduced no grounds for expecting anything except a rise in the case of profits.

I am not suggesting that there is any remedy for this state of things, but only that the remedies Smart suggests do not meet the point. I quite agree that "redistribution" through taxation is unsatisfactory and had better come to a speedy end. But I am not charmed by the prospect of a Board of Directors all devoting themselves to "welfare work"—even if it were likely. And I would even urge the now old-fashioned and heretical doctrine that what a man most needs is to arrange his work and his life for himself—the former so far as the interest of his fellow-workers permits, the latter altogether. What he wants least of all is to have his amusements and leisure and social habits arranged for him; especially by one who thinks that to enter into one relation—and that the economic—with a man, is an excuse for interfering as much as possible in everything else.

The memoir seems to me exactly suitable and in place. All former students of Professor Smart will be grateful to Mr. Jones for so admirable a sketch of one who was so kindly and so fascinating a man and probably also one of the very greatest teachers of economics the country ever produced.

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